

**COUNTY OF SAN DIEGO, CALIFORNIA**  
**BOARD OF SUPERVISORS POLICY**

**Subject**

Property Tax Exchanges Resulting From Jurisdictional Changes

**Policy  
Number**

B-45

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**Purpose**

To establish guidelines for negotiating the exchange of property tax when exchanges are warranted as a result of jurisdictional changes.

**Background**

Revenue and Taxation (R&T) Code Section 99, enacted July 24, 1979, amended September 29, 1979, provides that before most jurisdictional changes (city incorporation, district formations, annexations, detachments, etc.) can occur, a determination must be made concerning the amount of property tax to be exchanged between the affected local governments.

In the event of a city incorporation or a district formation effective after July 24, 1979, the Local Agency Formation Commission (LAFCo) has the responsibility for determining the amount of property tax to be exchanged based on the formula provided in Section 56810 and 56815 of the Government Code.

Before a jurisdictional change (other than a city incorporation or a district formation) can become effective, those agencies whose services areas or service responsibilities would be altered by such change shall determine the amount of property tax to be exchanged between them. For annexations, detachments, etc., effective after July 24, 1979, R&T Code 99 provides, in the event that such a jurisdictional change would affect the service area or service responsibility of one or more special districts, the board of supervisors of the county or counties in which the districts are located shall, on behalf of the district or districts, negotiate any exchange of property tax revenue [R&T Code 99 (b)(5)]. Prior to entering such negotiations, the affected district must be consulted.

According to R&T Code Section 99.1, in the case of a jurisdictional change which will result in a special district providing one or more services to an area where such services have not been previously provided by any local agency ... the exchange of property tax among such local agencies shall be limited to property tax revenue from the annual tax increment generated in the area ... [and] any special district affected by the jurisdictional change may negotiate on its own behalf, if it so chooses.

Negotiation of property tax revenues is a requirement retroactive to jurisdictional changes which became effective since July 1, 1978.

The negotiated property tax exchange, even when zero, must be documented by resolution of the County and any affected cities.

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**Policy**

It is the policy of the Board of Supervisors that:

1. Acting on behalf of the Chief Administrative Officer the Department of Planning and Development Services shall represent the County in negotiations to determine the amount of property tax to be exchanged as a result of jurisdictional changes.
2. When negotiating or establishing the amount of property tax to be exchanged, the County shall attempt to maintain an equitable balance between transfers of cost and transfers of revenue. Generally, jurisdictional changes which result in the introduction of a new service to an area will not involve a property tax exchange since no existing agency will realize a reduction in cost. In annexations to a fire district, the County will consider the appropriateness of a property tax transfer.
3. Adoption of a Board resolution establishing the negotiated property tax exchange does not necessarily imply Board support of the jurisdictional change proposal.

**Process**

1. When an application for a jurisdictional change is submitted, the agency receiving the application shall notify the Assessor, the Auditor, Property Tax Services and the Department of Planning and Development Services by forwarding a copy of the application to those offices.
2. The Assessor shall prepare a report listing the parcels, their current market assessed value and the taxing agencies within the area proposed for jurisdictional change and forward a copy of that report with a map of the area to the Auditor and to the Department of Planning and Development Services (Department).
3. The Auditor Property Tax Services shall determine the amount of prior year property tax received by each taxing agency within the area proposed for jurisdictional change and submit this information to the Department.
4. The Department of Planning and Development Services shall negotiate, in accordance with this policy, the amount of property tax revenue if any, to be exchanged between jurisdictions or, where appropriate, shall negotiate with jurisdictions whose service responsibilities are affected, for an equitable exchange of property tax. The Board of Supervisors must approve all proposed exchanges by resolution.

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5. In the event property tax negotiations between the Department and one or more affected jurisdictions reaches impasse, the Department will advise the Board of the situation and seek additional guidelines or direction.

6. Master tax exchange resolutions will be used for routine cases to save administrative costs. For other cases, the Department shall docket a Board resolution, which is approved as to form and legality by County Counsel, agreeing to accept the negotiated exchange of property tax revenue.

7. A copy of the Board resolution will be sent to the affected agencies, the Auditor Property Tax Services and to LAFCO.

**Sunset Date**

This policy will be reviewed for continuance by 12-31-2014.

**References**

Revenue & Taxation Code Section 99

Board Policy I-47, Detachments from Special Districts

Board Policy I-55, Annexation/Incorporation Policy

**Previous Board Action**

10-30-79 (27)

11-23-82 (12)

11-6-84 (18)

1-31-89 (28)

11-29-94 (40)

8-7-2002 (5)

06-25-08 (12)

12-09-08 (33)

09/25/2012 (11)

**CAO Reference**

1. Chief Financial Officer/Auditor and Controller